# How does a property owner appeal?

If a property owner believes his or her property was not correctly assessed, there are several options. First, contact the Township Assessor and ask to examine your property record card. Verify that all the data regarding square footage, number of rooms, basement, pool, etc., are correct. Point out any inaccuracies to the Assessor.

To appeal the Township Assessor's decision, a property owner must file a formal appeal with the County Assessor within 45 days of official notification of the assessment.

Use Form 130, available from the Township or County Assessor. The appeal will be reviewed by the county's Property Tax Board of Appeals.

To appeal the county's decision, a property owner must file another appeal with the County Assessor within 30 days of county decision. Use Form 131, available from the County Assessor. The appeal will be reviewed by the Indiana Board of Tax Review.

To appeal a decision of the Indiana Board of Tax Review, property owners may file a lawsuit with the State Tax Court within 45 days of the decision of the Indiana Board of Tax Review.

can be accessed online at:

www.in.gov/legislative/senate republicans



# **PROPERTY REASSESSMENT:**



What

# **Hoosier Homeowners** Need to Know

#### from

Indiana State Senator

# **CONNIE LAWSON**

Senate District 24

www.in.gov/S24 toll-free: 1-800-382-9467 or (317)232-9400

# Q & A: Property Reassessment

### **Q: Why is property** A: Property is assessed to assessed?

determine its value for tax

purposes. After total assessed value for all property in a taxing district (for example a library, township, school, sanitation district, etc.) is determined, a tax rate is established for each district. The assessed value for each property is multiplied by the tax rate to determine how much property tax each person pays.

**Q:** Why is property A: Property values change re-assessed? over time. Reassessment helps insure that tax bills reflect changes in property values so taxes are spread fairly among all property owners.

# Q: How do we use property taxes?

A: Property taxes are used by local government and schools to pay teachers,

build schools and other buildings, for parks, police and fire protection, libraries, poor relief and other municipal and school functions. State government receives less than one tenth of a percent of all property taxes collected.

### Q: When was the last general reassessment conducted?

The last general reassessment was completed in 1995.

### Q: Why do people say this is a "court-ordered reassessment?

A: In 1998, the Indiana Supreme Court ruled on a 1996 Tax Court decision that the old assessment system was unfair

and unconstitutional. This ruling found that some taxpayers were paying too much property tax, while others were not paying their fair share. Accordingly, the court mandated the Department of Local Government Finance (DLGF) to develop new rules and reassess all property.

# Q: What was wrong with the old system?

A: Under the old rules, assessors were not required to link assessments to objective standards such as market value. Therefore, assessed values lacked meaningful references to actual property values. This led to a situation where business property was generally over-assessed, while residential property was generally under-assessed. In addition, homes with similar market values located in different parts of the state, or even different townships in the same county, had significantly different assessed values. The court said this was unfair and unconstitutional.

#### Q: When did the DLGF issue new rules?

A: In May 2001, nearly five years after the

Tax Court first found the old assessment system to be unconstitutional, the governor approved new rules adopting a market value based assessment system. (The governor also approved new rules for the assessment of business and utilities)

# Q: Did the court sav Indiana had to adopt a pure market based system?

A: No. The court left the door open to consider other relevant factors; however, the DLGF opted

to adopt a pure market value based system. (The DLGF was formerly the State Tax Board.)

# Q: Who is responsible for insuring that reassessments are timely and are conducted fairly?

A: By statute, the DLGF, a state agency reporting to the governor, establishes rules that govern how reassessment is conducted and how property is to be valued. Local assessors review each property under the direction of the DLGF. After all property is assessed, the county reports total property values and proposed tax rates to the DLGF for certification.

# Q: Why is this reassessment so unusual?

A: This is the first time property is being reassessed under the new market value rules.

# Q: How were the new rules expected to impact property taxes?

A: The bipartisan Legislative Services Agency estimated the new market value rules would increase average statewide taxes for homeowners by 13 percent. Although average property taxes for business were expected to drop by about 10 percent, the new rules included provisions on inventory

continued inside. . .

and work-in-progress that business said would have created disincentives for capital investment at a time when the state was already leading the nation in manufacturing job loss.

# Q: Why are older homes getting hit harder than newer ones?

A: Under the old rules, homes were treated as depreciat-

ing assets. As a home got older, its assessed value dropped relative to new construction. Thus, many older homes were under-assessed. Under a market value system, age is not a significant factor. The condition the property is in is more important. The decision to base assessments primarily on market value and ignore mitigating factors such as depreciation or high maintenance costs hits older homes in good neighborhoods especially hard.

#### Q: Could taxes increase for a newer home?

rules, local assessors

A: Yes. Under the old

had broad discretion to assess homes more favorably than other types of property. Under the new market value system, assessors no longer have this discretion. So, the assessed value of any property regardless of age could increase if it loses a favorable assessment

### Q: What did the **General Assembly** do to help homeowners?

A: In 2002, the General Assembly restructured state and local taxes because it expected the new rules would

increase residential property taxes. Four measures were enacted to cut property taxes and help protect homeowners:

- The Homeowner's Exemption was increased from \$6,000 to \$35,000; a homeowner does not pay any property tax on the first \$35,000 (up to half) of a home's value. This progressive measure provides help for all homeowners, but especially helps those with lower-valued homes.
- A new 60 percent Property Tax Replacement Credit (PTRC) was created for the School General Fund Tax Levy. Combined with other credits, the state now pays about 85 percent of the cost of operating local schools.
- The Homestead Credit was increased from 10 percent to 20 percent. With this credit, the state pays 20 percent of each individual's net property tax bill remaining after payment of the replacement credit for schools.
- Finally, the General Assembly increased the assessed value levels below which seniors and World War I and

Disabled Veterans are eligible for property tax deductions. This provision will help seniors and veterans retain their property tax deductions after reassessment. This was passed in the 2003 session.

# Q: What was the cost of property tax relief, and how was it funded?

A: The increased Homestead Credit and new 60 percent school

credit together provide about \$1.3 billion in property tax relief. These measures were expected to lead to an average statewide decrease in residential property taxes of 13 percent. Moving from an expected *increase* of 13 percent to an expected decrease of 13 percent was expected to provide a net tax decrease of 26 percent for homeowners. In order to provide funding for this property tax relief, the General Assembly increased the state sales tax by one penny on the dollar. There were also increases in cigarette and gaming taxes. That was the deal – increase the sales tax to decrease property taxes.

# Q: Did the General Assembly keep its word?

A: Yes. The General Assembly has kept its tax relief commitment to homeowners. The budget for Fiscal Year 2004, passed earlier this year, dedicates \$3.5 billion – about onethird of the total General Fund Budget – for property tax relief. All of the 2002 revenue increases pledged for property tax relief are being used for that purpose. If not for the relief passed by the General Assembly in 2002, taxpayers would be paying an additional \$1.3 billion per year in property taxes. The legislature has fully kept promises made with the 2002 tax restructuring. Had the General Assembly not acted, average tax bills for homeowners would be about 21 percent higher.

# Q: What was the problem with the **Homestead Credit?**

A: Earlier this year, it was discovered the state had been overpaying counties for the Homestead Credit. When the DLGF made the correction in favor of the state, it diminished the value of the credit from 20 percent to about 15 percent. This cost homeowners statewide about \$120 million per year in property tax relief and reduced the expected drop in average residential taxes from 13 percent to 8 percent.

# Q: Aren't people who own older homes just being asked to pay their fair share?

A: To the extent their homes were underassessed and are now properly assessed at near

market value, they may be paying closer to their fair share.

Why are homeowners in some counties seeing big increases? Part of the promised 13 percent reduction has been eroded by correction of the way the state calculates the Homestead Credit.

It also appears some local officials and schools are using the reassessment process to push through unusually large property tax increases. In the 12 counties that have completed reassessment, there has been an average increase in total countywide property taxes of more than 10 percent. Some county tax increases are largely offsetting the tax relief provided by the one-cent increase in the sales tax.

However, large tax increases that occur all at one time without giving homeowners time to plan and make decisions are problematic. Such increases, especially for seniors on fixed incomes, can affect the ability of homeowners to remain in their homes. This, in turn, could have negative timpacts on whole neighborhoods. Although the higher taxes may be understandable, big increases in just one year have left some people questioning the fairness of the rule.

# Q: Should I expect my taxes to increase or decrease?

A: It is still estimated that (after adjusting for recalculation of the Homestead

Credit) average statewide residential property taxes will brop by about 8 percent. You will not know what your taxes are until your county completes reassessment. However, it is clear that regardless of what happens with statewide averages, increases and decreases will vary widely among neighborhoods. If you live in a newer home, your old assessed value is likely to be closer to market value, and your taxes are more likely to stay the same or decrease. If you live in an older home, your old assessed value is likely to be lower than market value, and your taxes are more likely to increase, especially if your home is in good condition, and property values in your neighborhood have increased.

Whether your taxes increase or decrease will also depend on the budget decisions made by local officials and schools. Normally, total county property tax levies increase by about 5 percent per year. However, for the 12 counties that have completed reassessment and issued tax bills, countywide levies have increased by an average of more than 10 percent.

# Q: Why can't we just eliminate property taxes?

A: Indiana, like almost every other state, has traditionally relied on property taxes to oper-

ate local government and schools. The total statewide net tax levy for 2002 was more than \$5.3 billion. It would be very difficult to raise that amount of money by other means. For instance, total sales tax collections are about \$4.9 billion per year. If the sales tax were doubled from 6 percent to 12 percent, the increased revenue would not be sufficient to totally replace the property tax.

# Q: Could anything have been done differently with reassessment?

A: In 1998, when the court ruled the old system was unconstitutional, the state had combined reserves of about \$2 billion. This gave the administration both the time and the money to implement new rules and develop a plan to target property tax relief. Senate Republicans strongly urged the administration to proceed with reassessment in a timely manner. However, the administration did not adopt the new market value rules until 2001. Had reassessment progressed while the state had healthy reserves, there would have been time to target tax relief more effectively, or at least phase in some of the more significant tax increases.

# Q: Is the General Assembly working to address some of the problems?

A: Yes. The General Assembly is working to amend the Indiana Constitution, which requires that property be uniformly assessed. This has made it difficult to target tax relief. The General Assembly has passed resolutions in each of the two past sessions to amend the constitution to permit exemption of certain real property, including residences from the property tax. In order to become effective, the provision must now be approved by a majority of voters in a public referen-

dum. If the constitution is amended, it will ease the restriction that now requires uniform and equal rates of assessment and taxation. This will make it easier for the General Assembly to enact targeted tax relief if it is determined that some taxpayers have been treated unfairly.

